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NEWS RELEASE

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced today the guilty plea of Zhan Gao before the Honorable T.S. Ellis III, United States District Judge, for illegally selling electronic components that have potential military use to the People's Republic of China (PRC). Sentencing is set for March 5, 2004, at which time she faces a possible sentence of ten years imprisonment.

Under the Export Administration Act of 1979, the Secretary of Commerce keeps a list of goods and technologies that require export licenses. The sale of these items is controlled by the Commerce Department as part of our national security program because they are "dual-use" items that may be used for military, as well as commercial purposes.

In the Fall of 2000 U.S. Immigration and Customs Enforcement (formerly known as the U.S. Customs Service) received information that someone named "Gail Heights" of Technology Business Services (TBS) attempted to order controlled items for research work being done for a Northern Virginia university. The manufacturer determined that "Gail Heights" and TBS did not work for the university and had, therefore, refused to fill the order for the controlled parts. Further investigation revealed that Gao used the name "Gail Heights", that she conducted business and held bank accounts under the names "Technology Business Services" and "University Laboratories" and that she had received wire transfers from various entities in the PRC.

One such transfer involved the China National Electronics Import & Export Corporation (China National), an outfit with known connections to the PRC military. China National also conducts business under the name Incom Import & Export Company, and Gao's bank records showed wire transfers from China from this entity.

As part of her plea, Gao acknowledges purchasing electrical components in the United States, including items designated on the Commerce Control List. She also acknowledges misrepresenting herself and her intentions and unlawfully exported Commerce Control List items to the PRC.

In July 2000 Gao agreed to sell 80 Military Intel486 DX2 microprocessors to Incom Import & Export Company, knowing they were on the Commerce Control List. These computers are used on aircraft for navigation, digital flight control, weapons fire control, radar data processing, and airborne battle management systems.

Gao acquired 80 Military Intel 486 DX2 microprocessors from a Massachusetts electronics supplier and, in October 2000, shipped them to Nanjing SunSea Industry Corp. in Nanjing, China. In January 2001 the company paid Gao \$539,296 for the 80 microprocessors.

The Nanjing Research Institute of Electronics Technology (NRIET), also known as the 14th Institute, is involved in the development of radar systems for the PRC military. NRIET is one of the PRC's premier designers of aircraft radars and has designed most of the PRC's strategic and early warning radars. NRIET also conducts business under the names Nanjing SunSea Industry Corp. and Nanjing Institute of Radio Technology.

In addition, Gao admitted helping her husband, Donghua Xue, file a false U.S. Individual Income Tax Return for the calendar year 2000. The return reported no gross receipts or sales for the year. Xue also pled guilty today to a misdemeanor in connection with the filing of this false return.

As part of their plea agreements, Gao and Xue will forfeit \$505,000 traceable to the arms export violation and will pay \$89,000 in additional taxes, penalties and interest.

Mr. McNulty stated: "This was a serious crime. These defendants illegally sold high-tech components with potential military use to a major foreign power. For the sake of our national security, commerce in such technology is carefully controlled. This office aggressively prosecutes anyone who by-passes those controls for personal gain."

McNulty added: "This was an intricate crime and a complex investigation. I congratulate the U.S. Immigration and Customs Enforcement and the Defense Criminal Investigative Service for their outstanding work and service to our nation."

Also making this announcement is Kevin Delli-Colli, Special Agent-in-Charge, U.S. Immigration and Customs Enforcement (ICE), who said: "The technology exported in this case is tightly controlled for good reason - it can be used in sensitive military systems. Keeping such technology from falling into the wrong hands is one of the highest priorities of ICE and the Department of Homeland Security."

Joseph A. McMillan, Special Agent-in-Charge, Defense Criminal Investigative Service, Mid-Atlantic Field Office, stated: "This investigation demonstrates the critical role our private industry partners play in protecting our technology by their willingness to notify the proper authorities when they become aware of potential threats to our military systems and resources."

The case was investigated by Special Agents with Immigration and Customs Enforcement and the Defense Criminal Investigative Service, and is being

prosecuted by Assistant United States Attorneys James P. Gillis, Kathleen M. Kahoe, Stephen M. Campbell, and Mary B. Ruppert, a trial attorney with the Justice Department's Counterespionage Section.

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